

**LEGISLATIVE SERVICES AGENCY  
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**FISCAL IMPACT STATEMENT**

**LS 7351**

**BILL NUMBER:** HB 1271

**NOTE PREPARED:** Jan 29, 2004

**BILL AMENDED:** Jan 29, 2004

**SUBJECT:** Motor Vehicles and Taxation.

**FIRST AUTHOR:** Rep. Liggett

**FIRST SPONSOR:**

**BILL STATUS:** CR Adopted - 1<sup>st</sup> House

**FUNDS AFFECTED:** X GENERAL  
X DEDICATED  
FEDERAL

**IMPACT:** State & Local

**Summary of Legislation:** (Amended) This bill: (1) establishes certain protections for employees of the Bureau of Motor Vehicles Commission (BMVC) who report violations of federal, state, or local laws or the misuse of public resources; (2) increases from \$1,000 to \$2,500 the average monthly threshold that determines when a retail merchant must remit Sales Taxes; (3) eliminates the \$2 annual fee to renew a permanent registration of a semitrailer; and (4) repeals the registration fee for a converter dolly.

**Effective Date:** Upon passage; July 1, 2004.

**Explanation of State Expenditures:** (1) *BMVC Employee Protections:* The bill expands the appeal process for a BMVC employee who reports a violation of federal, state, or local laws or the misuse of public funds to include instituting a civil suit for further appeal of a disciplinary action. If the appealing employee prevails in the civil action, the employee is entitled to recover the employee's reasonable attorney's fees, including litigation expenses and costs. This would increase BMVC expenditures in such cases. The fund affected is the State License Branch Fund, which supports the operation of the BMVC. The specific fiscal impact will depend upon the number of such cases and the costs involved.

(2) *Sales Tax Remittance.* This provision will have a minimal administrative impact on the Department of State Revenue (DOR).

**Explanation of State Revenues:** (Revised) (1) *BMVC Employee Protections:* This part allows for a Class A infraction for violation of the state's whistle blower law if the BMVC has opted to be under the State Ethics Commission. If the BMVC establishes its own code of ethics for its employees, the criminal penalty does not apply.

*BMVC Employee Protections -Penalty Provision:* If additional court cases occur, revenue to the state General

Fund may increase if infraction judgments and court fees are collected. The maximum judgment for a Class A infraction is \$10,000, which is deposited in the state General Fund. If court actions are filed and a judgment is entered, a court fee of \$70 would be assessed. 70% of the court fee would be deposited in the state General Fund if the case is filed in a court of record or 55% if the case is filed in a city or town court.

(2) *Sales Tax Remittance*. Increasing the average monthly Sales Tax liability threshold that determines when a retailer must remit Sales Tax collections to the DOR would impact Sales Tax collections in FY 2005. This shift would effectively reduce FY 2005 Sales Tax revenue by up to \$17.5 M and shift these collections into the future.

Under current law, retailers with an average monthly Sales Tax liability over \$1,000 are required to remit monthly Sales Tax collections to the DOR by the 20<sup>th</sup> day of the month following the month in which the taxes were collected from the customer. Smaller retailers, with an average monthly liability of \$75 to \$1,000, may remit their Sales Tax collections by the 30<sup>th</sup> day of the following month. This bill increases the threshold that determines when a retailer must remit Sales Tax collections so that filers with an average monthly Sales Tax liability of \$1,000 to \$2,500 may also remit their Sales Tax collections to the DOR by the 30<sup>th</sup> day of the month following that in which the tax was collected. Since retailers are required only to have their remittances postmarked by the due date, remittances made on the 30<sup>th</sup> are not posted to DOR accounts until the following month. Collections that must be postmarked by the 20<sup>th</sup> are typically posted to DOR's accounts in the same month in which they are remitted. This bill has the potential of causing a one-month lag in collections in FY 2005.

According to DOR data, approximately 11,000 retailers would be affected by this proposal.

Sales Tax revenue is deposited in the: Property Tax Replacement Fund (50%), the state General Fund (49.192%), the Public Mass Transportation Fund (0.635%), the Commuter Rail Service Fund (0.14%), and the Industrial Rail Service Fund (0.033%).

(3) *\$2 Annual Fee to Renew a Permanent Registration of a Semitrailer*. The total revenue loss from this provision would be \$84,286.

The elimination of the \$2 annual fee to renew a permanent registration of a semitrailer will cause a revenue loss of approximately \$81,310, based on CY 2003 registrations of 40,655. Actual revenue loss over time will depend upon the number of such registrations. Elimination of the \$2 annual fee to renew a permanent registration for a semitrailer also will eliminate the \$1 fee for the permanent farm semitrailer due to the provision under IC 9-29-5-13 which states that this fee is 50% of the semitrailer fee. This will mean a revenue loss of \$2,976, based on CY 2003 registrations of 2,976 such vehicles. The fund affected is the Motor Vehicle Highway Account which supports the BMV.

(4) *Repeal of the Registration Fee for a Converter Dolly*. The BMV reports that these items are grouped with semitrailers and not counted separately.

#### **Explanation of Local Expenditures:**

**Explanation of Local Revenues:** (1) *BMVC Employee Protections -Penalty Provision*: If additional court actions are filed and a judgment is entered, local governments would receive revenue from the following sources: (1) The county general fund would receive 27% of the \$70 court fee that is assessed in a court of record. Cities and towns maintaining a law enforcement agency that prosecutes at least 50% of its ordinance violations in a court of record may receive 3% of court fees. If the case is filed in a city or town court, 20%

of the court fee would be deposited in the county general fund and 25% would be deposited in the city or town general fund. (2) A \$3 fee would be assessed and, if collected, would be deposited into the county law enforcement continuing education fund. (3) A \$2 jury fee is assessed and, if collected, would be deposited into the county user fee fund to supplement the compensation of jury members.

**State Agencies Affected:** Bureau of Motor Vehicles; Bureau of Motor Vehicles Commission; Department of State Revenue.

**Local Agencies Affected:** Trial courts, local law enforcement agencies.

**Information Sources:** BMV Cash Audit, Draft Copy for CY 2003, Bureau of Motor Vehicles, and the Bureau of Motor Vehicles Commission.

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